

Mr. Sanderson's Report on NIE-40.

We now have a working paper which is ready to go out to members of the working group^{and}/sector coordinators. There will be a meeting next Tuesday to concur this draft on the basis of comments from functional specialists from the various agencies involved. It is hoped that, unless complete redrafting is desired, changes can be made sometime during the next week. We should have an agreed working group paper by the end of next week which will be sent out to the EIC members. In addition to the summary, there will be several annexes, including two Top Secret ones.

Let me apologize first for the delay in producing this paper. The fact is that this working group procedure was an experiment and we all greatly underestimated the time involved in the working group procedure. Preparation of this paper involved the coordination of twenty major contributions and there were no less than 100 people involved in preparing the document at one stage or another. The work had to be split up in this way because specialized knowledge is so dispursed among the various agencies of the government, and we wanted to ^{TAP} have all resources available.

This study was time-consuming for another reason--as you all know, research procedures in the intelligence agencies are somewhat unewen. We had to go through an educational process and had to explain fully the methods we were using in order to enable other agencies involved to get any feel for the validity of the findings. We had to explain that it is not sufficient merely to say "Everything has been taken into consideration, and here are the conclusions." It is necessary to indicate sources, state

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reasons why certain information was used and other types of information were rejected, and state whether or not consistency checks had been made. In some instance, the bring^{ing}/out of this information was like pulling teeth, but in the end everybody, without exception, turned out to be extremely cooperative, and working relations have been improved as a result of this study. That is saying something after a study as difficult as this one turned out to be.

I should also like to mention that we had the good fortune of having good people on the working group itself--people who are willing to put aside agency and personal pride and consider criticisms on papers produced in their own agencies.

To sum up, I believe that the working group procedure was effective for the purposes intended. It did provide for more effective pooling of knowledge, better safeguards against errors & snap-judgements. However, the procedure was not without its disadvantages in view of the large number of persons involved and the pressure of other commitments. It was virtually impossible to hold agencies to schedule. If speed is the major consideration, the working group procedure is not the one to choose. The advantages outweigh the disadvantages, however. The process may be costly but it pays off.

We first decided to look into the elements that make up the economic potentials for war--people, skilled labor, steel, petroleum, etc. Practically everyone had agreed on the magnitude of the increased Soviet potential by the acquisition of Western Europe in the long run. The last look that CIA

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had taken of this problem was in 1948 for ORE 58-48.

Right from the beginning, we did not lack candidates for the role of limiting factors. There is the rational and very unique tendency on the part of nearly every functional specialist to believe that he is in possession of the limiting factor. Every one of the specialists felt that his sector would be responsible for at least 5%, maybe even 30%, in the total industrial potential of the enlarged Soviet economy. Among the factors examined most carefully were general disorganization and readjustment (administrative revisions, organized resistance, etc.), which everyone agrees is very important in the short run. Among the properly economic factors, everyone agrees that petroleum supply is most ~~likely~~ likely to be the critical factor. Other critical factors are: petroleum transport; food supply; transportation capacity in general; and certain raw materials, particularly copper and tin. We had arguments particularly regarding food, petroleum, and East-West transport. In petroleum we found fairly general agreement that up to about 10,000,000 tons of petroleum could be shipped from the USSR to Western Europe, mostly overland, and that another 3,000,000 tons could be shipped from the Soviet satellites. We went into the problem of tank car capacity in the USSR, ~~including~~ including very intricate calculations as to how that capacity could be maximized, and it appeared that about that much could be ~~moved~~ moved by the careful husbanding of available capacity. This would make about 14,000,000 tons of petroleum (about 1/3 of the estimated 1952 inland consumption for that area) available for civilian consumption in Western Europe after deducting

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military requirements. The argument starts here. Everyone has agreed that petroleum would be the most critical factor but most reports of the working group felt that a reduction from 40 million to 14 million tons could hardly be expected to be more serious than the reduction of 7 million to 2 million tons during World War II.

Comment by Mr. Millikan. This thing has to be looked at again pretty carefully and if it becomes a matter of judgement on which it is impossible to produce compiling enough evidence so that, the range of difference ~~XXXX~~ ^{can reduced} be ~~XXXXXXXX~~, we must give a pretty clear indication on the final paper that it has not been possible to reach ~~XX~~ agreement.

Mr. Sanderson. The subject of East-West trade also produced a great deal of discussion, of which the major issue was capacity. We now have agreement between State and CIA on this but I'm not sure about the Transportation Corps.

The expectation is that the food situation in the second year of operation would be about as serious as it was in Western Europe during World War II. This agreement was facilitated because we limited ourselves to the first two years of occupation. We would have a real issue if the third year of occupation were to be taken into consideration.

We are pretty generally agreed that during the first two years of Soviet occupation, the main contribution of Western Europe in the armaments field would be machine tools, skills, and component parts, especially electronics, which would greatly improve the quality of Soviet weapons.

The conclusion of the paper is that none of the limiting factors

would prevent essential production in the basic industries from regaining the preoccupation level by 1954. It is interesting to compare this with the results of other studies that have been made. The judgements made in the Air Force job for the Joint Chiefs of Staff last summer stand up on the whole quite well. This is surprising in view of the fact that they did a rush job. ORE 58-48 which appeared in July 1948 covers the same field as our study under two assumptions. That report came up with conclusions which are quite different from ours in a number of important respects. They did not expect any substantial economic or scientific benefits in the first two years of occupation of Western Europe by the Soviets. Part of this difference, of course, is due to the fact that this report was written in 1948, and at that time neither the USSR nor Western Europe had completed their post-war recovery. To some extent ORE 58-48 also shows the influence of taking too much comfort in over-all figures. It is the same report that stated that the acquisition of Western Europe would advance the time the USSR would explode its first atomic bomb.

The draft of the Economic Section of NIE 40, as it stands now, has not been discussed by the working group. We have, however, had numerous discussions in the process of producing it, so there should be a substantial degree of agreement. So far this paper should be considered merely as a working paper to be submitted to the working group. When it comes to the Economic Intelligence Committee about the middle of March, it will be up to the EIC to decide on its further review and eventually ~~xxx for~~ dissemination. The petroleum problem will particularly require further discussion.

I will consult the working group as to what they recommend in the way of dissemination of sector reports. Two of them--Petroleum and Transport--are not worthy of dissemination. The other sector reports are in generally good shape but would require considerable editing. The summary is based on the sector papers and differs only on those points I have mentioned.

Comment by Mr. Millikan. We have two rather different problems here. One is the problem of getting to ONE a document, the substantive ^{of} conclusions/which are well enough agreed even though not polished, for them to use as a basis for the National Intelligence Estimate. Our second general problem is that we have tentatively agreed to issue this document and its working papers as research tools for the future, and must decide on the procedure for so doing. I think that one of the great weaknesses in the intelligence community is that we have done nothing to make our work ~~if~~ cumulative. We get an answer to the consumer and then don't leave a record behind so that the next time a similar job is done, the background work has to be done over. The amount of work which has gone into this NIE-40 and the importance of the subject makes it important, I think, to issue a document to which future investigators can refer as a base and on which future work in the field can build.

As to timing, I think for the latter purpose we really need to be able to examine the summary paper and some of the sector papers together, since one of our main problems in making our issuance useful as a research document is the concentrating of information on methodology and sources in

the sector papers. I would suggest that we defer the issuance of the research document until such time as we have samples of the sector papers to look at. This will take longer than we want to take for getting something to ONE for use in the preparation of their estimate.

With respect to getting the paper to ONE, we could delegate the task of getting agreement on essential conclusions to the working group, and then insure that working group representatives clear with their respective superiors before final approval, and not attempt to have a meeting and discussion by this body on the final paper; or, we can call this committee together to consider the final document for approval before it goes to ONE. Or we can wait and see whether or not the working group is able to come to an agreement satisfying everyone on it, and reserve, until that point, decision of whether or not we should call this committee together to consider their final paper.

Comment by Doherty. State favors the latter procedure. EIC representatives can then make up their own minds about reading the paper and having it discussed further.

Summary by Mr. Millikan. We will not hold a meeting of the EIC on the basis of ONE, then, unless the Executive Secretary, in checking with committee members, finds that someone considers such a meeting necessary. If any member feels that he cannot concur in the summary and wants further discussion of it, we will meet. For purposes of considering this document, it seems to me that membership of this committee ought to consist of full members plus those associate whose agencies have taken part in the preparation of NIE-40. (Move on to next topic on agenda)